Orders received continued on a good level in Paper – Comparable EBITA was low

Interim Review, January–March 2018

April 27, 2018

Pasi Laine, President and CEO
Kari Saarinen, CFO
Agenda
Interim Review, January–March 2018

1. Q1/2018 in brief
2. Development of the business lines
3. Financial development
4. Guidance and short-term market outlook
5. Summary of Interim Review Q1/2018
6. Appendix
Q1/2018 in brief
Q1/2018 in brief

- Orders received remained at the previous year’s level at EUR 439 million in stable business

- Orders received decreased to EUR 462 million in capital business

- Net sales increased to EUR 732 million

- Order backlog remained at the previous year’s level at EUR 2.6 billion

- Comparable EBITA decreased to EUR 22 million (margin 3.0%)

- Gearing was -12%

2017 financials have been restated following the adoption of IFRS 15.

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

2) Capital business = Pulp and Energy business line and Paper business line
Valmet in Q1/2018

Orders received
EUR 890 million

Net sales
EUR 732 million

Comparable EBITA
EUR 22 million

Comparable EBITA margin
3.0%

Employees
12,310

Net sales by business line
- Services: 31%
- Automation: 28%
- Pulp and Energy: 8%
- Paper: 34%

Net sales by area
- North America: 11%
- South America: 48%
- EMEA: 6%
- China: 17%
- Asia-Pacific: 8%
Orders received decreased to EUR 890 million in Q1/2018

- In stable business, orders received remained at the previous year’s level at EUR 428 million in Q1/2018
- In capital business, orders received decreased to EUR 462 million in Q1/2018
- EMEA and North America accounted for 71% of orders received in Q1/2018
Stable business orders received totaled EUR 1,605 million during the last 4 quarters

Orders received (EUR million) in stable business

- In Q1/2018, total orders received in stable business remained at the previous year’s level

1) Including internal orders received for the Automation business line.
Order backlog was EUR 126 million higher than at the end of Q4/2017.

- Approximately 65% of the order backlog is currently expected to be recognized as net sales during 2018.
- Approximately 30% of the order backlog relates to stable business.
Development of the business lines
Services: Orders received and net sales remained at the previous year’s level

Orders received (EUR million)

- Orders received remained at the previous year’s level
  - Orders received remained at the previous year’s level in EMEA and decreased in all other regions
  - Orders received increased in Mill Improvements, remained at the previous year’s level in Performance Parts, and Fabrics, and decreased in Energy and Environmental, and Rolls

Net sales (EUR million)

- Net sales remained at the previous year’s level
- Changes in foreign exchange rates decreased orders received by EUR 21 million and net sales by EUR 16 million

1) The effects of changes in foreign exchange rates are indicative only.
Automation: Orders received increased and net sales remained at the previous year’s level

Orders received (EUR million)

- Orders received increased compared with Q1/2017
  - Orders received increased in Asia-Pacific, China, and EMEA, and decreased in South America and North America
  - Orders received increased in Energy and Process and decreased in Pulp and Paper
- Net sales remained at the previous year’s level
- Changes in foreign exchange rates decreased orders received by EUR 4 million and net sales by EUR 3 million

Net sales (EUR million)

1) Comments refer to orders received and net sales including also internal orders received and net sales.
2) Q1/2015 orders received and the underlying figures for ‘Orders received, last 4 quarters’ and ‘Net sales, last 4 quarters’ are calculated based on Metso’s reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.
3) The effects of changes in foreign exchange rates are indicative only.
Pulp and Energy: Orders received decreased and net sales increased

Orders received (EUR million)

- Orders received decreased compared with Q1/2017
  - Orders received remained at the previous year’s level in South America, and decreased in all other regions
  - Orders received remained at the previous year’s level in Energy and decreased in Pulp
- Net sales increased compared with Q1/2017
- Changes in foreign exchange rates decreased orders received by EUR 2 million and net sales by EUR 4 million
- A loss of EUR 15 million recognized in a project in the Pulp and Energy business line in Q1/2018

Net sales (EUR million)

1) The effects of changes in foreign exchange rates are indicative only.
Orders received decreased compared with Q1/2017

- Orders received increased in North America, South America and China, and decreased in EMEA and Asia-Pacific
- Orders received increased in Board and Paper, and decreased in Tissue

Net sales increased compared with Q1/2017

Changes in foreign exchange rates decreased orders received by EUR 28 million and net sales by EUR 11 million¹

¹) The effects of changes in foreign exchange rates are indicative only.
Financial development
## Key figures

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1/2018</th>
<th>Q1/2017</th>
<th>Change</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>890</td>
<td>1,005</td>
<td>-11%</td>
<td>3,272</td>
</tr>
<tr>
<td>Order backlog(^1)</td>
<td>2,583</td>
<td>2,704</td>
<td>-4%</td>
<td>2,458</td>
</tr>
<tr>
<td>Net sales</td>
<td>732</td>
<td>645</td>
<td>13%</td>
<td>3,058</td>
</tr>
<tr>
<td>Comparable EBITA</td>
<td>22</td>
<td>34</td>
<td>-36%</td>
<td>218</td>
</tr>
<tr>
<td>% of net sales</td>
<td>3.0%</td>
<td>5.3%</td>
<td>-36%</td>
<td>7.1%</td>
</tr>
<tr>
<td>EBITA</td>
<td>19</td>
<td>37</td>
<td>-49%</td>
<td>202</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>12</td>
<td>29</td>
<td>-60%</td>
<td>170</td>
</tr>
<tr>
<td>% of net sales</td>
<td>1.6%</td>
<td>4.5%</td>
<td>-56%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.05</td>
<td>0.12</td>
<td>-56%</td>
<td>0.81</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes(^2)</td>
<td>5%</td>
<td>10%</td>
<td>-56%</td>
<td>14%</td>
</tr>
<tr>
<td>Cash flow provided by operating activities</td>
<td>19</td>
<td>94</td>
<td>-80%</td>
<td>291</td>
</tr>
<tr>
<td>Gearing(^1)</td>
<td>-12%</td>
<td>-3%</td>
<td>-11%</td>
<td></td>
</tr>
</tbody>
</table>

Items affecting comparability: EUR -3 million in Q1/2018 (EUR 3 million in Q1/2017)

1) At the end of period
2) Annualized. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.
Gross profit and SG&A development

- Gross profit percentage decreased compared with Q1/2017
  - A loss of EUR 15 million was recognized in a project in the Pulp and Energy business line
  - Capital business had a higher share of net sales in Q1/2018
- Selling, general & administrative (SG&A) expenses to net sales decreased compared with Q1/2017
- Actions to improve gross profit through Must-Win implementation
Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)

- Net sales increased and Comparable EBITA decreased compared with Q1/2017
  - Profitability decreased due to a loss of EUR 15 million recognized in a project in the Pulp and Energy business line
Cash flow provided by operating activities

Change in net working capital\(^1\) EUR -2 million in Q1/2018
Cash flow provided by operating activities EUR 19 million in Q1/2018
CAPEX EUR 16 million in Q1/2018

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\(^1\) Change in net working capital in the consolidated statement of cash flows.
Net working capital at -12% of rolling 12 months orders received

Net working capital and orders received (EUR million)

- Net working capital EUR -384 million, which equals -12% of rolling 12 months orders received

Net working capital excluding non-cash net working capital impact from dividend liability.
Net debt lower compared with both Q1/2017 and Q4/2017

- Gearing (-12%) and net debt (EUR -102 million) lower than both in Q1/2017 and Q4/2017
- Equity to assets ratio remained at the same level as in Q1/2017

Automation acquisition was completed on April 1, 2015.
Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes¹ (%)

- Target for Comparable return on capital employed (ROCE): 15–20%

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.
Guidance and short-term market outlook
Guidance and short-term market outlook unchanged

Guidance for 2018 (as announced on March 21, 2018)

Valmet estimates that net sales in 2018 will remain at the same level as in 2017 (EUR 3,058 million) and Comparable EBITA in 2018 will increase in comparison with 2017 (EUR 218 million).

Short-term market outlook

<table>
<thead>
<tr>
<th>Services</th>
<th>Q2/2017</th>
<th>Q3/2017</th>
<th>Q4/2017</th>
<th>Q1/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Pulp and Energy</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Energy</td>
<td>Good</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Paper</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

The short-term market outlook is based on customer activity (50%) and Valmet’s capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is ‘weak–satisfactory–good’.
Summary of Interim Review Q1/2018
Q1/2018 in brief

- Orders received remained at the previous year’s level at EUR 439 million in stable business\(^1\)
- Orders received decreased to EUR 462 million in capital business\(^2\)
- Net sales increased to EUR 732 million
- Order backlog remained at the previous year’s level at EUR 2.6 billion
- Comparable EBITA decreased to EUR 22 million (margin 3.0%)
- Gearing was -12%
Appendix
Structure of loans and borrowings
Interest-bearing debt EUR 201 million as at March 31, 2018

Amount of outstanding interest-bearing debt (EUR million)

Main financing sources and facilities

- **Average maturity of long-term loans is 4.0 years**
  - Average interest rate is 1.3%

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from banks and financial institutions</td>
<td>EUR 201 million</td>
</tr>
<tr>
<td>EUR 200 million committed syndicated revolving credit facility¹</td>
<td>None outstanding</td>
</tr>
<tr>
<td>EUR 200 million domestic commercial paper program</td>
<td>None outstanding</td>
</tr>
</tbody>
</table>

¹) EUR 200 million syndicated revolving credit facility agreement matures on January 14, 2023 with a 1-year extension option.
Largest shareholders on March 31, 2018
Based on the information given by Euroclear Finland Ltd.

<table>
<thead>
<tr>
<th>Shareholder name</th>
<th>Number of shares</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solidium Oy(^1)</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>Elo Pension Company</td>
<td>4,210,000</td>
<td>2.81%</td>
</tr>
<tr>
<td>Varma Mutual Pension Insurance Company</td>
<td>4,165,465</td>
<td>2.78%</td>
</tr>
<tr>
<td>Ilmarinen Mutual Pension Insurance Company</td>
<td>3,416,000</td>
<td>2.28%</td>
</tr>
<tr>
<td>OP Funds</td>
<td>2,145,691</td>
<td>1.43%</td>
</tr>
<tr>
<td>The State Pension Fund</td>
<td>1,545,000</td>
<td>1.03%</td>
</tr>
<tr>
<td>Keva</td>
<td>1,502,166</td>
<td>1.00%</td>
</tr>
<tr>
<td>Evli Funds</td>
<td>930,053</td>
<td>0.62%</td>
</tr>
<tr>
<td>Mandatum Life Insurance Company Limited</td>
<td>922,537</td>
<td>0.62%</td>
</tr>
<tr>
<td>Nordea Funds</td>
<td>918,024</td>
<td>0.61%</td>
</tr>
<tr>
<td>10 largest shareholders, total</td>
<td>36,450,223</td>
<td>24.32%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>113,414,396</td>
<td>75.68%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>149,864,619</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

\(^1\) A holding company that is wholly owned by the Finnish State
Shareholder structure on March 31, 2018

- Nominee registered and non-Finnish holders
- Finnish institutions, companies and foundations
- Solidium Oy
- Finnish private investors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of shareholders</th>
<th>% of total shareholders</th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominee registered and non-Finnish holders¹</td>
<td>327</td>
<td>0.7 %</td>
<td>75,046,601</td>
<td>50.1 %</td>
</tr>
<tr>
<td>Finnish institutions, companies and foundations</td>
<td>2,393</td>
<td>5.2 %</td>
<td>38,010,937</td>
<td>25.4 %</td>
</tr>
<tr>
<td>Solidium Oy²</td>
<td>0</td>
<td>0.0 %</td>
<td>16,695,287</td>
<td>11.1 %</td>
</tr>
<tr>
<td>Finnish private investors</td>
<td>43,087</td>
<td>94.1 %</td>
<td>20,103,714</td>
<td>13.4 %</td>
</tr>
<tr>
<td>In the issuer account</td>
<td>0</td>
<td>0.0 %</td>
<td>8,080</td>
<td>0.0 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45,807</strong></td>
<td><strong>100.0 %</strong></td>
<td><strong>149,864,619</strong></td>
<td><strong>100.0 %</strong></td>
</tr>
</tbody>
</table>

The shareholder structure is based on the classification of sectors determined by Statistics Finland.

¹ Of which 73,017,718 nominee registered shares
² A holding company that is wholly owned by the Finnish State
Share of non-Finnish holders and number of shareholders

- Non-Finnish holders (LHS)
- Total number of shareholders (RHS)

Values:
- 42%
- 44%
- 46%
- 48%
- 50%
- 52%
- 54%
- 56%

Years:
- 12/2013
- 03/2014
- 06/2014
- 09/2014
- 12/2014
- 03/2015
- 06/2015
- 09/2015
- 12/2015
- 03/2016
- 06/2016
- 09/2016
- 12/2016
- 03/2017
- 06/2017
- 09/2017
- 12/2017
- 03/2018

Values:
- 43,000
- 45,000
- 47,000
- 49,000
- 51,000
- 53,000
- 55,000
- 57,000

59,000
Pulp and paper price trends

- Northern bleached softwood pulp (USD/t)
- Copy paper (EUR/t)
- Testliner (EUR/t)
Crude oil, steam coal, natural gas and electricity

Europe

- CIF ARA steam coal (USD/t)
- Brent crude oil (USD/barrel)
- Natural gas spot price NBP (GBP/therm)

- European Energy Exchange, Phelix (EUR/MWh)
- Nordpool Power (EUR/MWh)
- UK Baseload (GBP/MWh)
Crude oil, steam coal, natural gas and electricity

United States
European Carbon Emission Allowance

European Energy Exchange (EEX) spot price (EUR/t)
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January–June 2018
Interim Review

July 25, 2018

www.valmet.com/investors

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Valmet’s Capital Markets Day
September 18, 2018
Helsinki, Finland